



CITY OF
FORT LAUDERDALE

May 23, 2003

Mayor Jim Naugle
Vice Mayor Carlton B. Moore
Commissioner Christine Teel
Commissioner Dean Trantalis
Commissioner Cindi Hutchinson

Dear Mayor and Commissioners:

It is my privilege to submit the Comprehensive Annual Financial Report (CAFR) for the City of Fort Lauderdale, Florida for the fiscal year ended September 30, 2002. This submission meets the requirements of the City Charter Section 10.02, the Fort Lauderdale City Code 2-147(b)(14), Florida Statutes 166.241, and Rules of the Florida Auditor General Chapter 10.550. The financial statements included in this report conform to the generally accepted accounting principles in the United States (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The City is responsible for the accuracy of the data and the completeness and fairness of the presentation including all disclosures. The financial statements have been audited by Ernst & Young LLP, Certified Public Accountants. The independent auditor has issued an unqualified opinion that this report fairly represents the financial position of the City and complies with all reporting standards noted above.

The CAFR is divided into four parts. The Introductory Section provides a summary of the contents of the entire report and general information about the reporting entity. The Financial Section includes the Auditor's Opinion, Management's Discussion and Analysis, the Basic Financial Statements, Notes to Financial Statements, Required Supplementary Information, and the Combining and Individual Fund Financial Statements and Schedules. Other Financial Information includes budgeting and other statements and schedules provided to supplement required financial data. The Statistical Section includes a number of tables that provide historical, social, economic and financial trend data that offers an overview of the City's fiscal situation. The contents of the report have been influenced by compliance with GASB pronouncements including Statement 34 that has required the preparation of new government-wide financial statements on a full accrual basis of accounting for all funds as well as Management's Discussion and Analysis.

Reporting Entity

The City of Fort Lauderdale was founded in 1911. It serves as the County seat of Broward County and operates under the commission/manager form of government where the Mayor, elected at large, and four Commissioners, elected by geographic district, determine the policies that guide the operation of the City. They hire a City Manager, who implements City policies and administers them on a full-time basis.

Fort Lauderdale is a full-service city that provides police protection, fire-rescue services, parks and recreation programs, delivers potable drinking water to a customer base both within and outside the City limits along with wastewater collection and treatment,

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sanitation services, development regulation, parking, and street maintenance. Fort Lauderdale is the only City in Florida with a municipal jail. The City is known for its waterways including Fort Lauderdale beach, the New River, the Middle River, and numerous canals. The City also operates a spring training baseball facility, a general aviation airport, a downtown heliport, an aquatic complex, and an auditorium.

This financial report includes all funds and component units of the City, in accordance with Statement No. 14 of the Governmental Accounting Standards Board entitled "The Financial Reporting Entity". This reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Sunrise Key Safe Neighborhood Improvement District is included as a component unit along with the Fort Lauderdale Community Redevelopment Agency (CRA). These organizations have been included as component units, since the City is financially accountable for and is able to impose its will on them. The transactions and balances of the CRA are blended with those of the City (primary government), while the Sunrise Key financial information is discretely presented in the government-wide financial statements.

The City of Fort Lauderdale Downtown Development Authority (DDA) and the Housing Authority of the City of Fort Lauderdale are related organizations, but separate and distinct, and are not included in this financial report since they do not meet the established criteria for reporting herein. Along with the Performing Arts Center Authority and the DDA, the City is a participant in a joint venture in the Arts and Science District Parking Garage with each party maintaining an ongoing financial interest.

Economic Condition

The City of Fort Lauderdale benefits from a dynamic economic environment that has seen tremendous growth in recent years. This growth can be tracked through various indicators such as taxable assessed value and the value of new construction.

	(in millions of \$)	
	<u>New Construction</u>	<u>Taxable Value</u>
FY 2000	\$ 266	\$11,838
FY 2001	273	12,862
FY 2002	292	14,203

*New construction represents improvements to real property that were not on the tax roll in the prior year.

Key indicators are reported by Fishkind & Associates for the Fort Lauderdale Metropolitan Area below. Some indicators show the impact that September 11, 2001 and its aftermath has had on the region, which is similar to other areas of the United States.

	<u>2000</u>	<u>2001</u>	<u>2002</u>
Population	1,623,020	1,649,925	1,678,895
Employment	644,328	664,847	662,106
Income (\$billion)	\$48.0	\$51.8	\$54.4
Unemployment Rate	3.9%	3.9%	6.3%
Overnight Tourist Visitors	6,036,317	5,804,638	5,234,934*

*Florida Trend Magazine (May 2003) reported that Fort Lauderdale/Hollywood International Airport had a record 17 million passengers in 2002, up 3.8% from 2001.

With the leadership and planning of the City Commission, the City has attracted significant new residential development in the downtown area including the Las Olas River House (42 story/280 unit condominium), the New River Village Phase II (multi-story rental complex), The Esplanade (16 story condominium plus garage), The Jefferson (243 unit apartment building), and Las Olas Grand (38 story condominium).

Major Initiatives

The City made progress on a number of fronts in FY 2002.

- The City's crime rate was reduced by 7% citywide during the past year and continues a six-year downward trend.
- The City strengthened its emergency preparedness through its participation in the Joint Terrorism Task Force with the FBI, State of Florida, and other local entities, as well as providing training through the Nunn-Lugar-Domenici Domestic Preparedness program.
- The first full year of improvements in the Waterworks 2011 program was the beginning of the \$550 million water and sewer infrastructure effort.
- More than \$100 million in projects have been launched in the City's Community Redevelopment Area including Avenue Lofts, the Sistrunk Boulevard Urban Enhancement project, and the construction of single-family homes in the Sweeting Estates area.
- The City has undertaken several planning initiatives including the Urban Design Seminar, the Downtown Master Plan Project, the Urban Land Institute's Panel Advisory Study of Fort Lauderdale Beach, and the 2002 Economic Development Summit.
- Fort Lauderdale Executive Airport opened a new downtown Heliport and a new Administration Building.
- The City annexed two new areas into the City in September 2002 that added 12,500 new residents.
- The administration of the parking system was improved with the implementation of a new automated municipal parking services system, which allows for online credit card payments and an interactive voice response telephone system.

- A citywide telephone system was installed that integrates all City agencies into one telephone network.

Financial Information

City management is responsible for establishing and monitoring *internal controls* to ensure that the City fulfills its fiduciary responsibility as custodian of public monies. The purpose of internal controls is to provide reasonable, but not absolute, assurance that City assets are safeguarded against loss through unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

The City's *accounting system* is organized on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds used are determined by generally the City Commission upon recommendation of the City Manager and the Director of Finance establishes accepted accounting policies and procedures as well as the number of funds.

The City of Fort Lauderdale is required to adopt an *annual budget* in accordance with the City Charter and State Statute. The City Manager is charged with preparing a proposed budget for submission in July of each year for the fiscal year that begins the following October 1. Appropriations by department by fund and tax levies are adopted in September. The budget also authorizes the number of full-time equivalent positions available to City departments to deliver services. The budget may be amended by Commission motion at a Regular Meeting or administratively if the change is within the same department and fund. Various thresholds of review and approval have been established for purchases and hiring as the budget is implemented.

The City has two *pension plans*: 1) General Employees Retirement System and 2) the Police and Fire Pension Plan. Staffs outside of the City's authorized workforce, who are hired by the Pension Board of each plan, administer these defined benefit plans. The Boards' membership is comprised of both elected active employees as well as appointment by the Mayor. The Boards have responsibility for investment of the pension assets and determination of benefits as employees retire or seek other benefits under the plans. At September 30, 2002, the plans had assets of \$553 million. At fiscal year end, the City had 64 employees that were included in a separate defined contribution plan because they were in positions where the defined benefit plan was an option or were, at the time of employment, determined to be beyond the feasibility of vesting in the defined benefit plan.

In the course of making capital improvements to serve the residents of Fort Lauderdale, the City has funded certain projects with bonds. At September 30, 2002, the City had outstanding *debt* of \$ 97.1 million. The City employs a financial advisor as well as bond counsel to assist with these financings. The City refinanced general obligation debt in the past year with confirmation of the City's strong credit worthiness. Standard & Poor's rating continues to be AA and Moody's Investor Service Aa2.

The City maintains an *investment policy* that strives to protect capital above all else while seeking investment earnings and providing for daily cash needs. The City's portfolio at September 30, 2002 was \$188.7 million. Funds are invested in the State Board of Administration and through a separate contract with Public Financial

Management. The City's master and payroll accounts are swept nightly to capture overnight interest earnings. The City is implementing positive pay to minimize check fraud. Debt service payments and payment of certain medical claims are handled through electronic transactions.

The City of Fort Lauderdale has a combination of *insurance* policies and self-insured programs to minimize the City's risks as a municipality. Insurance policies have been purchased to cover windstorm and flood damages to City property, losses due to fraud or criminal actions of City officials, and major employment practices and workers' compensation claims. The City is self-insured for automobile, general liability, most workers' compensation claims, most employment practices claims, and employee health insurance. Outside actuaries assist the City in assessing its liabilities and establishing claim reserves.

Recognition and Acknowledgments

The City of Fort Lauderdale has been the recipient of the Government Finance Officer's Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for every fiscal year since 1976. Additionally, the City has received the GFOA Distinguished Budget Presentation Award for each fiscal year since 1985.

This comprehensive annual financing report could not have been prepared without the dedicated service of all employees in the Finance Department. This year's effort has been especially challenging with the implementation of the new reporting model, the implementation of a new payroll/personnel information system, and the retirement of the Director of Finance. Special thanks goes to Joanne Rizi, the City Controller, and Boe Cole, City Treasurer.

Respectfully submitted:

A handwritten signature in black ink, appearing to read 'T. L. Sharp', with a stylized flourish at the end.

Terry L. Sharp
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Lauderdale,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William Patrick Pate
President

Jeffrey L. Essler
Executive Director

THE PEOPLE OF FORT LAUDERDALE

